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Veterinarian inspects Danish hog carcasses. Optimism among hog producers reflects improved market prospects for Danish pork in 1978.

Vietnam's 5-Year Plan Stresses Agriculture

By James R. Brow

Vietnam's first 5-year economic plan for the unified country gives top priority to agriculture. It stresses rapid agricultural development, increased farm exports, gearing industry to serve agriculture, and expanded economic relations with foreign countries.

Since 1975, the Socialist Republic of Vietnam (SRV) has been plagued by major economic problems—damaged or inadequate infrastructure and industry, abandonment of agricultural land, and a generally depressed economic situation in the southern provinces. These problems continue to retard economic development, particularly agriculture. In light of this, agriculture has been given top priority in the country's second 5-year plan (1976-80)—the first for the unified Vietnam.

The most serious problem confronting the Vietnamese Government is the economic integration of the southern and northern provinces. The two zones have developed in opposite directions for the past 20 years—the northern provinces along strict socialist lines and the southern provinces along a consumer-oriented, capitalist path. This has resulted in two economically and socially different systems in which different currencies still are used and some economic policies are executed differently.

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On the positive side, the Vietnamese have established a countrywide central banking system to coordinate monetary activities. Also, foreign trade, which had dropped off following the collapse of South Vietnam, has increased.

Vietnam's second 5-year plan has placed high priority on imports for reconstruction and development. However, crop failures in 1976 and 1977 forced the diversion of scarce hard currency from purchases of capital goods to imports of foodgrains to meet Vietnam's immediate food needs.

Some of the major objectives of the current plan include:

- Concentrating the strength of the country on achieving rapid development of agriculture;
- Maximizing the use of existing industrial capacities and building new establishments of heavy industry, particularly engineering, to serve all the needs of agriculture, forestry, fisheries, and light industry;
- Rapidly increasing exports—particularly of agricultural and light-industry products, and expanding economic relations with foreign countries.

More specifically for agriculture, this plan calls for the production of 21 million metric tons of grain by 1980 and 1 million tons of meat products.

Hog numbers are projected to rise to 16.5 million head and the fish catch is planned at 1.35 million tons by 1980.

Annual sugar production, according to the plan, is

Farmers in the southern provinces of Vietnam harvest rice, the country's most important farm commodity.

to reach 220,000-250,000 tons. Fish sauce production is to reach the level of several thousand liters. In addition, the food processing industry is to be thoroughly organized.

In line with the top billing given to agriculture under the plan, several areas have received particular attention since 1976.

Expansion of irrigated land and reclamation of abandoned land have received the highest priority in the agricultural sector. The 5-year plan calls for reclamation of over 1 million additional hectares of land by 1980. Most of the reclamation and irrigation will be carried out in the southern provinces.

The reclamation work has been concentrated in the "new economic zones," where long-term settlement plans have been adopted. These new economic zones are intended to redistribute the population from overpopulated areas (particularly Ho Chi Minh City and areas in the Red River Delta in the northern provinces) to regions that offer good agricultural prospects.

The average size of the declining number of collectives in the northern provinces continues to be increased to improve efficiency. In the southern provinces, rudimentary aid and assistance teams have been organized as a first step toward socializing agriculture.

However, most of the farm sector in the southern provinces is still privately owned, and the Government is reluctant to force socialization of southern agriculture too rapidly, fearing that this would further disrupt the already depressed sector.

To boost lagging agricultural production, industrial and foreign trade policies now are geared to production and imports of agriculture-related items such as tractors, pumps, fertilizer, and seed.

The cultivation of subsidiary and industrial crops is being increased to supplement inadequate food supplies, to utilize idle land more fully, and to provide raw materials for export.

Employing about 70 percent of the population, agriculture is the most important economic sector in Vietnam. The main agricultural areas are the two large river deltas—the Red River (Hong Ha) Delta in the north (1.1 million hectares) and the Mekong Delta in the south (4.1 million hectares).

The principal product grown in the Red River area, with its dense network of dikes, is irrigated rice. Raising crops in this delta has been risky owing to severe flooding of the river and the frequent typhoons during the rainy season. Severe droughts also pose threats at various times.

The more tranquil Mekong Delta in the south, with its abundant alluvial soil and favorable climate, offers the greatest agricultural potential for Vietnam. However, this area suffered much destruction during the war and has never reached its potential.

The most important crop in Vietnam is rice. According to official statements, cultivated rice area in 1977 was approximately 5.3 million hectares. However, paddy production was only 11.3 million tons—2 million tons short of the target—because of drought and cold weather in the northern provinces and drought in the central and southern provinces.

The 1976 crop was reported at 11.8 million tons—below expectations because of delayed transplanting in the northern provinces and slow progress of irrigation work, disorganization of the labor force, and lack of agricultural inputs in the southern provinces. Paddy production in 1978 is targeted at 13.5 million tons.

As a result of the rice shortage, the Government has been promoting the cultivation of subsidiary crops —manioc, potatoes, corn, beans, sorghum, and sweet potatoes. Although the Vietnamese consider these inferior to rice as food, the subsidiary crops have served as necessary rice substitutes in Government food rations. Official SRV reports place 1977 production of subsidiary crops at 1.8 million tons (paddy equivalent), with the outturn planned at 3 million tons in 1978.

Rubber was once Vietnam's most important export commodity, but huge rubber plantations (located mainly in the southern provinces) suffered much during the war.

With technical assistance from Malaysia, rubber production is now expected to recover. For 1978, the SRV has announced that 104,000 hectares will be planted to rubber, compared with 85,000 hectares in 1977. Output in 1978 is targeted at 54,000 tons.

Other important Vietnamese industrial crops include tea, coffee, tree fruits, bananas, pineapple, sugarcane, tobacco, and jute.

According to an official Vietnamese statement released in December, total tea area in 1977 was about 45,000 hectares, and is to be increased to 53,500 hectares in 1978. The statement placed dried tea output in 1978 at 30,000 tons.

Coffee (Robusta and Chari) is grown primarily for export. Plans call for a 56-percent area increase in 1978 to 20,000 hectares, producing 10,000 tons. (However, FAS estimates coffee production for 1976/77 and 1977/78 at 3,600 tons.)

According to official Vietnamese statements, sugarcane area in 1977 was about 60,000 hectares. The 1978 plan calls for an increase in area to 80,500 hectares and production of about 160,000 tons. (FAS has placed 1978 sugar output at only 40,000 tons, however.)

In 1976, per capita sugar consumption in Vietnam was reportedly less than 4 kilograms.

Area increases for fruit trees and tobacco are also anticipated in 1978. In 1976, fruit trees area was 130,000 hectares, while tobacco area is expected to rise 25 percent over the 1977 level to 32,000 hectares.

Cotton has not been an important crop in Vietnam. However, there are plans to expand production under irrigation. During 1978, an area increase of 93 percent over year-earlier area is planned, to total 18,500 hectares.

The Vietnamese Government also plans to increase production of vegetables, including beans, soybeans, onions, garlic, and peppers. According to official SRV statements, soybean area in 1978 is expected to increase to 84,000 hectares—2½ times more than in 1977.

Another important food industry in Vietnam is fish—a key source of protein in the Vietnamese diet and a major export commodity. In 1976, the total fish catch was about 900,000 tons. Loss of boats and lack of spare parts and fuel have held back development of this industry since 1975. In an effort to bolster production and exports of this item, the Government has imported trawlers and increased official purchase prices for fish.

According to official SRV statements, increases in output in the livestock industry in 1978 are also planned.

Meat production is to rise to about 415,000 tons, 28

"Vietnam's 5-year plan has placed high priority on imports for development and reconstruction . . . but crop failures in 1976-77 forced the diversion of hard currency from purchases of capital goods to imports of foodgrains to meet Vietnam's immediate food needs."

percent greater than the 1977 level of almost 300,000 tons.

Hog numbers are to increase to 11 million head, or 21 percent more than the 1977 level of 8.7 million.

Fowl production (mostly chickens) is planned at 102 million head—17 percent more than in 1977. Egg output is to increase to 1.5 million eggs in 1978, 39 percent greater than in 1977.

A shortage of high-quality animal feed is a major constraint on Vietnam's livestock industry.

Total Vietnamese trade is on the rise. In 1976, imports approximated $1 billion. The SRV's trade with Communist countries accounts for more than 60 percent of the total, although trade with market economies has increased since 1975.

The USSR is Vietnam's major Communist trading partner, accounting for about 40 percent of all trade with Communist countries. Leading Soviet imports from Vietnam include handicrafts, tea, and alcoholic beverages. All East European countries, the People's Republic of China (PRC), Mongolia, North Korea, and Cuba have bilateral trade arrangements with Vietnam.

Japan is Vietnam's leading market economy trading partner—accounting for about 40 percent of the market economy sector trade. Sweden, Norway, France, West Germany, and Hong Kong are other trading partners.

Since 1975, the SRV's balance-of-payments position has faced severe problems. Through strict monitoring of imports from both Communist and market economies, the SRV reportedly managed to reduce the deficit in 1976. While imports were reduced, Vietnamese exports steadily increased, reflecting high priority on export expansion by the Government.

Although the trade balance may have been brought under better control, the reduction in nonagricultural imports to allow larger imports of foodstuffs and other consumer goods has affected the growth of the economy, particularly since the cutback in imports has been concentrated on capital goods and raw materials for industry.

According to official Vietnamese statements, total Vietnamese exports increased in 1977 to over $320 million.

The Government attributes the increase in exports since 1975 to the major reorganization of foreign trade, particularly in the southern provinces where export industries were placed under the jurisdiction of State foreign trade organizations.

The growth of exports has been concentrated on raw materials such as coal (the leading export item), tin, rubber, and fish. Agricultural exports included coffee, tea, and fruit.

Vietnam has substantial export potential; the country has large reserves of natural resources, such as coal, offshore oil, minerals, timber, fish, and agricultural land. Given this potential, the SRV's Minister of Foreign Trade recently reported the country's goal to increase exports by 40 percent annually until 1980. (In 1978 alone, total exports are targeted to increase 45 percent and those for agricultural products by 66 percent.)

Following the end of the war in 1975, aid from market economies was sharply reduced. At the same time, lower imports from Communist countries caused total imports to decline.

However, the growing need to import foodgrains and other raw materials aggravated the hard currency shortage in 1976. Fuel and raw materials for industry and capital goods (mostly spare parts, machinery, and fishing industry equipment) accounted for the majority of imports in 1976.

In 1977, the severe foreign exchange shortage and physical constraints (lack of port facilities) may have prevented imports from reaching the planned increases of 20 percent more than in 1976. However, agricultural imports (particularly grain) probably exceeded 1976 levels because Vietnam had a second consecutive poor year in grain production.

Although a complete account of grain imports, including food aid, is difficult to obtain, it appears that well over 1 million tons of grain and flour were scheduled for shipment to the SRV in 1977.

Known purchases included 500,000 tons of wheat flour from the USSR. In addition, wheat imports included 120,000 tons from Canada, 50,000 tons from Sweden, a 400,000-ton loan from India, and 17,680 tons from the European Community.

Turkey, Argentina, and France supplied about 150,000 tons of flour, and Thailand sold 50,000 tons of corn and 80,000 tons of rice to the SRV in 1977.

As of May 16, 1975, the southern provinces in Vietnam were added to Country Group Z in the U.S. export control classification, joining the former North Vietnam. This classification imposes a general trade embargo—except for humanitarian cases—with the SRV. Other countries in this group classification include Cuba, Cambodia, and North Korea.

Representatives of the United States and the SRV have held meetings in Paris to discuss the normalization

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Danish Meat: Blue Chip In a Sluggish Economy

In Denmark's lethargic economic expansion of just 2 percent in 1977, agriculture—led by the livestock and dairy industries—was the nation's growth sector and accounted for about half of the economy's real gain. A similar or even smaller rate of increase in the gross national product projected for 1978 should be paced by gains in the production and export of beef, pork, poultry, and dairy products.

The dairy, livestock, and poultry sectors provide a major share of agriculture's king-sized role in the Danish economy. Last year's favorable weather following 2 straight dry years permitted a sharp recovery in Denmark's farm output, which rose 9 percent in 1977 after dropping 5 percent in 1976 and 4 percent in 1975, according to a report from Fred W. Traeger, U.S. Agricultural Attaché in Copenhagen.

Besides improvement in the farm sector, European Community (EC) protection and support were important factors in the enlarged Danish farm production. In fact, the EC's Common Agricultural Policy is a continuing stimulus to Danish agriculture and, provided an inflow of about US$865 million in assistance last year, making Denmark one of the leading net recipients of EC aid.

Although the country's total trade deficit stood at $3.3 billion last year, agriculture—accounting for 32 percent of all exports—rang up a trade surplus of $1.9 billion. This showing was sparked by sharp increases in exports of cheese, beef, and poultry meat plus a modest gain in pork exports.

The overall agricultural outlook for 1978 is even brighter because of improved market prospects for animal products, lower feed costs resulting from increased supplies, and higher producer prices as well as continuing EC aid. The Danes export about two-thirds of their agricultural production and these farm exports, rising about 6 percent last year, should expand about 5 percent this year, Traeger reported.

Increased imports before the harvesting of Denmark's record grain crop last year raised Danish farm imports from the United States a sharp 38 percent to $266 million. Danish agricultural exports to the United States rose only 6 percent to $233 million as the trade balance swung in favor of the United States with a surplus of $33 million.

Most of the increase in Danish purchases of U.S. farm products stemmed from higher soybean prices and larger volumes of tobacco and grain. However, the large Danish grain harvest last year makes it unlikely that imports of U.S. agricultural products will maintain the same pace in 1978.

On the export side, shipments of Danish canned ham to the United States increased last year while U.S. purchases of Danish cheese dropped. Exports of both of these products to the United States in 1978 are expected to decline, Traeger said.

However, the U.S.—and the Japanese—markets have only a small influence on Denmark's export levels and economic performance. Last year, other EC countries took about 61 percent of Denmark's farm exports, other developed countries 28 percent, and developing countries 11 percent. The biggest single markets were again the United Kingdom (25 percent) and West Germany (17 percent).

Dairy products. Milk production rose about 2 percent in 1977 to an estimated 5.1 million metric tons and another gain of about 3 percent is projected for 1978 largely because of the country's ample feed supplies. The larger milk output last year was used to increase cheese production 13 percent to 172,000 tons while the outturn of butter declined 6 percent to 131,000 tons. Production of milk powder containing butterfat expanded 28 percent. Overall, domestic consumption of all dairy products rose slightly in 1977.

Use of liquid skim milk for livestock feeding fell 3 percent and the production of nonfat dry milk (NFDM) dropped 13 percent last year to 55,000 tons. Danish intervention stocks of NFDM were about 33,000 tons at year's end; up from the year-earlier total of 30,000 tons. Danish NFDM stocks in 1978 will depend on EC intervention prices and practices as well as subsidy levels for feeding purposes.

Denmark's cheese exports jumped about 8 percent last year to 123,000 tons as shipments to Iran and Japan rose. However, shipments to these nations were secondary to the 63,000 tons that went to other EC nations. Danish cheese exports to the United States in 1977 declined about 20 percent to less than 11,000 tons worth $27 million. Denmark's cheese exports to all destinations in 1978 are expected to log an increase similar to the gain realized in 1977.

Butter exports slipped 6 percent in 1977 to 87,000 tons, including quantities exported to benefit from the more advantageous intervention regimes in other EC countries, particularly West Germany. Danish butter sales to the United Kingdom—Denmark's biggest agricultural customer—fell 15 percent last year.

Competition in that market will be tough again in 1978 because production by other EC members will be higher and New Zealand is benefiting from a reduced but still large import quota. However, the recent increase in the import levy on New Zealand butter to the U.K. market is expected to improve the Danes' position in the latter half of 1978.

Livestock and meat. Although marketing conditions for Denmark's important livestock sector improved somewhat in 1977, livestock producers still had a relatively lackluster year as the value of meat production rose only 2 percent to US$1.86 billion while volume increased 3 percent to 980,000 tons.

Production this year is expected to rise another 3 percent.

Cattle numbers decreased 1 percent to 3.1 million and another slight reduction is likely this year. Beef production also slipped a percentage point last year, to 240,000 tons—a level unlikely to change in 1978. After advancing 4 percent last year, producer prices probably will continue increasing this year as EC beef production declines.

Pork output edged up 3 percent to 740,000 tons last year and pig slaughter increased at the same rate to 10.7 million head. Currently, optimism prevails among Danish hog producers because of reduced feed prices and enhanced market prospects in 1978.

One of the leading developments in the livestock industry last year—and the brightest 1978 prospect—was the sharp upsurge in beef and veal exports to 134,000 tons, a gain of about 25 percent from those of 1976. Shipments to the United Kingdom were 24,900 tons, slightly larger than the 1976 level, while exports to Italy jumped 44 percent to about 83,300 tons. On the other hand, Denmark imported about 200 tons of U.S. beef last year and larger takings appear likely in 1978.

Danish bacon exports dipped 2 percent last year to 215,000 tons, but exports of fresh pork increased 9 percent to 125,000 tons. Exports of canned pork products, at 125,000 tons, were up 7 percent from 1976's level, with sales to the U.S. market showing a 5 percent gain to 42,000 tons. In 1978, the Danes will try to enlarge their canned-pork market share within the EC.

Poultry and eggs. Denmark boosted poultry meat production 7 percent to 104,000 tons in 1977 as producer prices jumped 10 percent and profit margins expanded in the autumn when feed costs declined following the country's record grain harvest. Given current profit incentives, poultry meat outturn this year is expected to climb to 107,000 tons. Despite last year's average increase of 21 percent in producer prices, egg output fell 4 percent to 68,000 tons—a level that is expected to remain unchanged in 1978.

Registering gains in most markets, Danish poultry exports jumped 17 percent to an estimated 60,000 tons last year. The greatest export gain was logged in shipments to the Soviet Union, which bought 16,300 tons, up from only 3,300 tons in 1976. Denmark's shell egg exports, mainly to West Germany, dropped about 50 percent to 2,500 tons. □

U.S. Exhibit at Berlin's Green Week Sets Records

Both sales and attendance at the U.S. pavilion at Berlin's Green Week, the largest agricultural exhibition of its type in Europe, set records during the event's 10-day showing, January 27-February 5, 1978.

Among the 581,000 visitors to the U.S. pavilion (part of the opening day crowd is shown in an accompanying photo) were Bundespraesident Scheel, Agriculture Minister Ertl (shown being presented with Indian headdress by U.S. Agricultural Attaché Rolland E. Anderson—far right), Governing Mayor of Berlin Stobbe, and Mayor Lueder, Senator for Economics in Berlin.

(The 1978 attendance was some 40,000 more than the previous record last year.)

Based on the theme, "County Fair-USA," the American pavilion was dotted with tents of the type so well known to U.S. fairgoers, and which had become very familiar to German visitors to the U.S. exhibit by the end of the week.

The pavilion's theme, a departure from the supermarket idea of the past few years, was well received by the general public and Green Week officials. In fact, because of its general appearance and design, the U.S. entry received an Ehhenpreis (honor award).

Only three such awards were granted this year, although there were 37 countries participating.

American products featured at Green Week included fruit juices, wines, grapefruit, turkey products, corn on the cob, popcorn, soybean products, fish, whiskey, and tobacco products. One of the hits was a frozen hard boiled egg roll in consumer (9 inch) and institutional (18 inches) sizes, with yolks running through the center the full length of the roll.

Total sales by exhibitors in the U.S. pavilion were about $381,000. □

Paraguay's Farm Boom Seen Continuing in 1978

Aided by a strong farm sector, Paraguay continued in 1977 the economic boom that got underway in mid-1976, a movement that is expected to continue through 1978. Although a large share of its farm output goes to improve domestic diets, Paraguay also exports much of its farm production. Exports of cotton, soybeans, and tobacco last year offset drops in exports of some traditional Paraguyan products.

In 1977, Paraguay's economy—bolstered by a strong farm sector—continued the boom that started in mid-1976 and the momentum is expected to continue through 1978.

Production of most crops was higher last year than in 1976, and output probably will expand further this year. Exports of cattle and forestry products, Paraguay's two top traditional export income earners, were down from those of the early 1970's, but increases in cotton, soybean, and tobacco exports offset these drops.

The United States and Paraguay are trade partners, but the movement of agricultural products in both directions is relatively small. However, this trade is important to Paraguay.

Although Paraguay exports a sizable share of its agricultural production, the country is particularly interested in boosting production for domestic use.

Grain outturn is being encouraged to meet demands of both local and export markets; more fruits and vegetables are needed for the local market; and greater dairy production is being urged to reduce imports. Government policy currently favors production of beef for domestic use instead of export.

The responsibility for achieving gains in sugar, cotton, tobacco, and cattle production is largely left to the private sector, although the enthusiasm of cattlemen may have been dampened by export taxes on beef. However, the impact of this tax may have been lessened by the vitality of the domestic market.

Meat and livestock products accounted for up to 40 percent of Paraguay's export earnings in the 1960's and the early 1970's. But meat and livestock products lost their preeminence when import restraints, imposed by the European Community in 1974, caused a drop in meat exports.

By 1976, meat and livestock products represented only 13 percent of total export value, while the crop sector accounted for 72 percent. Earning a sizable amount of its export income were Paraguay's shipments of cotton, sugar, tobacco and such tropical products as coconut and tung oils and essential oils such as petitgrain and peppermint oils.

Production of soybeans, cotton, tobacco, corn, and rice reached new peaks in 1977. Income from these and other crops—especially those grown for export—created a strong rural demand for beef and the upsurge may have driven 1977 production to a record high.

With a continuation of earlier favorable weather, soybean, cotton, rice, and corn production may rise even further in 1978. Also, if local demand remains strong, beef production could continue to climb. And these increases could nudge agricultural exports upward in 1978, at least in volume terms.

Crop production. Cotton and soybeans were the star performers in 1977. **Cotton** output more than doubled last year to 227,400 tons. (See article on page 8.)

Paraguyan farmers withheld from export a part of their record 1977 **soybean** outturn of 375,200 tons (up from 283,500 tons the previous season) in the hope that prices would rise, but they fell instead. This reluctance to ship has caused a soybean carryover, but some Brazilian beans may have been commingled with Paraguyan beans in border areas and all shipped as Paraguyan. Exports of Paraguyan soybeans in 1977 may have been around 300,000 tons.

Sugarcane production in 1975 and 1976 was reduced by the 1975 frost, but 1977 outturn was noticeably higher. Sugar outturn, which had been 70,400 tons in 1974, slid to 51,844 tons in 1975, but started to recover and reached 56,480 tons in 1976. To enable Paraguay to meet its export commitments in 1975, 8,000 tons were imported for the domestic market.

Favorable weather enabled 1977 sugarcane production to snap back from the low levels of 1975 and 1976 and the final output level may have been around 70,000 tons. However, if world prices stay at their current relatively low levels and shipping costs remain at their present rates, serving the export market may be a losing proposition for Paraguay's sugar exporters, causing many producers to switch to other crops.

According to the Paraguyan Ministry of Agriculture, **tobacco** production was 45,800 tons in 1977, 19 percent higher than in the previous season. Tobacco exports—27,456 tons in 1976—were only slightly more than 7,000 tons by the end of July 1977. Although exports of tobacco tend to be larger during the second half of the year, Paraguay's tobacco is of the black varieties and there are problems connected with increasing their sales.

Paraguyan **wheat** production continues erratic, largely because of the periodic onslaught of disease. Officially reported at 38,000 tons in 1977, versus 29,300 tons the previous year, the 1977 wheat crop is believed by trade sources to be smaller than the Government estimate because of drought and hail damage. The crop was 17,900 tons in 1975 and 35,200 tons in 1974.

Wheat is the most important food item imported by Paraguay and in recent years virtually all came from Argentina under a government-to-government arrangement. Argentine exports of wheat to Paraguay in 1977 are estimated at 43,000 tons versus 51,947 tons in 1976 and 43,995 tons in 1975.

Rice production for the 1976/77 season is recorded officially at 75,000 tons, a record 33 percent higher than in the previous year. About 70 percent of the country's rice was irrigated in 1976.

The largest area expansion was in the regions close to the Brazilian border

Based on report from Office of U.S. Agricultural Attaché, Buenos Aires.

Paraguay's Cotton Output, Exports Jump

Massive increases in cotton area and production since 1974/75 have enabled Paraguay to boost its cotton exports dramatically. Production has more than doubled, area is up nearly 200 percent, and exports are more than three times the 1974/75 level.

Estimated cotton production in 1977/78—at 430,000 bales (218 kg net)—is 25 percent above the previous season's 344,000 bales and an impressive 164 percent above the 163,000 bales produced in 1975/76.

By Richard K. Petges, agricultural economist, Cotton Division, Foreign Commodity Analysis, Foreign Agricultural Service.

This season's production is five times the annual 84,000-bale average of 1970/71-1974/75.

Contributing to the increase in cotton outturn is the relative lack of competition from other crops. Although farmers have been encouraged to plant wheat for food to boost its level of production, the promotion program has thus far failed to achieve the hoped-for results, and some farmers are turning away from wheat to cotton.

Soybeans, like cotton an important export crop, provide some competition, but the major soybean production area is located south and east of the cotton region.

Paraguay's main cotton-producing district lies east of Asunción in the southeastern section of the country. Planting there takes place from October through December and harvesting extends from March through April.

According to an International Cotton Advisory Committee study, Paraguay's 1976/77 average cotton production cost (including variable and fixed costs) was $295 per hectare or—based on the study's average yield figure of 2.28 bales per hectare—59 cents per kilogram. The comparable production cost for U.S. cotton in 1976/77 was 55.2 cents per kilogram.

Farmers—responding to high world cotton prices, along with some Government support such as credit for producers—have boosted area in 1977/78 to 300,000 hectares, 36 percent above the 1976/77 level and 185 percent larger than 1975/76's. But one of the problems facing farmers is a developing labor shortage that could slow further increases in cotton area since most cotton is raised on small farm plots and requires large amounts of hand labor.

Cotton yields have increased 41 percent from a 5-year average (1970/71-1974/75) of 1.106 bales per hectare (241 kg/ha) to 1.56 bales (340 kg/ha) in 1976/77. More productive seed varieties, better suited to the country's climate, are being planted.

A derivation of Reba 50 is the most popular variety. Fertilizers and pesticides have become more readily available, also helping to boost yields.

Paraguay's cotton exports, estimated at 350,000 bales in 1977/78, are up 67 percent from 1976/77's 210,000 bales, and 132 percent above the 151,000 bales exported in 1975/76, the first year Paraguay's cotton exports exceeded 100,000 bales. The 5-year average export level (1970/71-

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in the eastern part of Paraguay, where large tracts of land are being cleared.

Official statistics note that only 1,450 tons of rice were exported in 1976, but the actual movement of rice across the border into Brazil may have been larger. Paraguay's rice does not grade high enough to enter world trade.

One of the world's leading exporters of **tung oil**, Paraguay exported 16,127 tons in 1976, up from 11,657 in 1975. For the first 7 months of 1977, 9,134 tons were shipped. Exports may have dropped during the latter months of 1977 as tree damage from the frost of August 1976 became apparent.

Trade sources indicated in October that the tung nut harvest may be low in 1978, even lower than in 1977, since trees were not flowering well and were suffering from diseases.

Livestock production. The strong prices received on the local market by **beef** producers kept exports lower than they might otherwise have been.

In 1977, the export plants had a slaughter quota of 250,000 head, but slaughtered only about 145,000 head. This was well below the 300,000 head slaughtered each year in the early 1970's.

During the first 7 months of 1977, 9,429 tons of beef (product weight) were exported valued at $13.5 million. During the same period of 1976, the totals were 8,023 tons and $13.3 million. For all of 1976, 12,647 tons of beef were exported, nearly 70 percent of it canned; the heavy proportion of canned shipments results from European Community restrictions on imports of frozen beef from third countries.

From a high of 20,300 tons in 1973, exports of frozen beef declined to 1,600 tons by 1976. The loss in value was close to $20 million.

Central Bank data continue to indicate increased **hog and poultry** slaughter, although drought in 1977 may have caused a setback in milk output.

U.S./Paraguyan trade. The United States is a major market for Paraguyan agricultural products with farm goods making up 90 percent of Paraguay's total exports to this country. The United States takes nearly 12 percent of all of Paraguay's exports, and thus it can be inferred that this country represents a market for nearly 10 percent of Paraguay's farm exports. The leading Paraguyan export products normally shipped to the United States are canned meats, sugar, tung oil, essential oils, coffee, and tobacco. During 1977, the United States imported $17.7 million worth of agricultural products from Paraguay.

U.S. agricultural exports to Paraguay totaled $940,000 in 1976, representing 3 percent of total U.S. shipments to Paraguay. Imports of food items, beverage bases, and fibers from all sources represented 18 per-

1974/75) was only 55,000 bales. Paraguay's main export markets in recent years have been Switzerland, West Germany, Uruguay, Portugal, and Japan.

Although the rise in production has been sharp, Paraguay's raw cotton consumption has remained relatively stable, a condition that has fired the growth in cotton exports. The cotton-consuming textile industry is privately owned and has not increased production capacity appreciably in recent years. Furthermore, the Government's main policy direction is to influence production by providing credit to farmers, but the Government has taken no steps to encourage mill expansion.

The Government also applies a tax on the domestic consumption of ginned cotton and another on cotton exports. Although the Government provides credit to cotton producers, it has no support price. □

Paraguay: Cotton Area, Production, and Exports [1]

Year	Area	Production	Exports
	1,000 hectares	*1,000 bales [2]*	*1,000 bales [2]*
1960-64 Average [3]	75	53	34
1965-69 Average [3]	49	49	33
1970	34	30	28
1971	57	60	17
1972	81	100	72
1973	93	110	74
1974	101	120	83
1975	105	163	151
1976	220	344	210
1977	300	430	350

[1] Crop years, August-July. [2] 218 kg net. [3] Rounded averages.

cent of Paraguay's total imports, with wheat, whisky, cigarettes, salt, silk, wine, fruits, and dairy products the most important items.

Composition and values of U.S. agricultural exports to Paraguay change each year. In 1975, for example, nonfat dry milk and seeds were the major items, while in 1976 the leading item was popcorn.

In 1977, however, U.S. exports of popcorn to Paraguay were nil, although those of liquid beverage bases and hop extract rose.

U.S. imports of Paraguyan agricultural products increased 9 percent in 1977. Imports of canned meats declined in volume and value, sugar imports dropped to zero, and those of raw tobacco dropped substantially, but U.S. imports of tung oil from Paraguay jumped 32 percent in volume and 163 percent in value.

Liquid beverage bases have always been a significant U.S. export to Paraguay. Other U.S. agricultural products exported to that country on a regular basis include chicks and horses for breeding, nuts, processed foods, bulls, semen, vegetable seeds, and hop extract. Because U.S. agricultural products are shipped to Paraguay at great expense as they are generally transshipped via the port of Buenos Aires, or airfreighted—there is stiff competition from nearby Brazil and Argentina. But Paraguay will probably remain a good market for some categories of specialized U.S. products. □

EC and PRC Sign 5-Year Agreement on Trade

The European Community (EC) and the People's Republic of China (PRC) have reached agreement on a 5-year commercial accord. The agreement, which was initialed in Brussels during the first week of February, was signed in that city in early April. Both sides attach great political importance to the event.

For the PRC, the agreement has two basic objectives: To give the PRC access to the sophisticated equipment and techniques needed in its industrial and agricultural modernization programs, and to expand EC-PRC trade so that it will rival the level of China's trade with Japan, which is the PRC's chief trading partner. The new accord also gives the Community an important advantage in developing a market in the world's most populous country.

Under terms of the accord, each side significantly departs from its traditional trade policies. China has agreed for the first time to a most-favored-nation (MFN) clause. For its part, the EC has agreed to substitute a "friendly consultation arrangement" for the safeguard clause that characterizes all of its previous trade agreements. This means that if it is determined that imports from China are disrupting Community markets, the EC is committed to discussing the problem on a case-by-case basis rather than taking unilateral preventive action.

Agricultural products are relatively minor in total EC-PRC trade. Approximately 90 percent of Chinese imports from the Community are made up of machinery, industrial equipment, transport equipment, chemical products, and other manufactured articles. Fats and oils and foodstuffs (mainly fixed vegetable oils and beef) account for about 0.5 percent.

China's exports to the nine-nation trade bloc are about evenly divided between foodstuffs and raw materials on the one hand and manufactured products on the other. The principal agricultural commodities exported by the PRC to the Community in 1976 were: Crude animal matter, $85 million; meat (mainly pork), $57.6 million; fruit and vegetables, $50.1 million; wool and animal hair, $40 million; and silk, $64 million.

China's trade position with the nine-nation Community has been that of a net importer. However, this position has steadily improved in recent years. EC imports from China increased from $826.3 million in 1975 to $960.1 million in 1976, or 16 percent. Over the same period Chinese imports from the Community went from $1.4 billion to $1.3 billion, a drop of 7 percent. In the first 6 months of 1977, China had a trade surplus of $108 million.

While the EC is China's second most important supplier after Japan, China represented only 0.8 percent of total Community exports in 1976, but will probably take more in the future. □

By Arthur J. Bailey, international economist, Trade Operations Division, FAS.

New Zealand's Export Earnings Set Record

New Zealand farmers had an outstanding year in 1977 [1] as earnings from a number of farm exports reached new heights and helped push total export income up to a record.

Wool production was greater in 1977 than in the previous year and early season prices shot earnings to a new peak. Beef, veal, and lamb and mutton sales were down from a year earlier, but exceptional lamb and mutton prices in 1977 enabled total sector earnings to set a record. Export earnings from New Zealand's apple crop also were up, but those from grain were down, despite higher grain outturn than in 1976.

The dairy industry also had a good year because of record milk output and excellent earnings, but especially because processors were able to pare stocks of nonfat dry milk by converting a sizable volume to casein for sale on the U.S. and Japanese markets.

But despite the bright 1977 performance, prospects for 1978 are less glowing.

Costs at the farm level are advancing faster than export per-unit returns.

Additionally, beef and veal outturn is expected to decline again, although not by as much as in 1977. Dairymen also may have difficulties as they face the need to find replacement cheese markets for the European Community (EC), which has not granted New Zealand a preferential cheese import quota for 1978. Another worry for dairy farmers is that early season trends indicate milk production may be down in 1978 because of drought, and such a dropoff could throw 1978 income expectations awry. For fruit farmers, however, production prospects look encouraging and earnings are expected to be relatively high.

The New Zealand farm sector continues as major earner of the country's foreign exchange, with its annual earnings share averaging about 77.5 percent of the total between 1974 and 1977. The United Kingdom is still New Zealand's primary market, but Japan and the United States (in fourth place in 1977) are increasing in importance. Australia remains New Zealand's best outlet for manufactured products.

New Zealand's exports to its top four markets in 1977, in millions of New Zealand dollars, with each country's share of New Zealand's agricultural exports in parentheses, were: United Kingdom, $NZ649.1 (24.49 percent); Japan, $NZ443.5 (8.87 percent); Australia, $NZ432.4 (2.37 percent); and the United States, $NZ 411.0 (14.33 percent). ($NZ1=US$0.9664.)

One development that benefited New Zealand farmers in 1977 was the emergence of the Soviet Union as the country's third most important market for meat. New Zealand data show that sales of over 40,000 tons of mutton and 60,000 tons of beef to the USSR helped New Zealand make heavy cuts in its surplus beef and mutton stocks, just as the casein shipments to Japan and the United States helped reduce New Zealand's dry milk surplus.

Total gross farm income showed a substantial gain in the year ending June 30, 1977, rising from $NZ1.85 billion in 1976 to $NZ2.14 billion the following year, while both gross and net income of individual dairy and sheep farmers climbed in 1977. An earlier Ministry of Agriculture assessment had indicated that gross income of dairy farmers would continue to rise in 1978, but the expected drop in milk production could cancel this projection. However, gross income for sheep farmers is expected to continue its climb in 1978, barring a serious drop in wool prices.

New Zealand's record export earnings helped to reduce the country's balance of trade deficit in the year ending in November 1977 to $NZ601 million, a somewhat better showing than the $NZ629 million deficit of a year earlier, and much better than the $NZ995 million deficit in November 1975. A deficit of $NZ1 billion is projected for 1978, largely because of lower prices expected for exports and a higher oil import bill.

Production highlights follow:

Although **beef and veal** output fell 12.6 percent in 1977, compared with year earlier levels, production remained high in relation to that of previous years, largely because of a continued overall high slaughter in response to relatively low prices. Cattle and calf slaughter dropped from 3.9 million head in 1976 to 3.6 million in 1977.

Pasture conditions were mostly satisfactory at the end of the 1977 production year, but grass suffered damage from dry spells in isolated areas at the beginning of 1978. This could push slaughter levels upward as ranchers compensate for short feed supplies by sending more cattle to market. In any event, New Zealand almost certainly will fill its 1978 voluntary restraint beef agreement with the United States of about 124,000 tons.

Both **mutton and lamb meat** production were lower in 1977 than in the previous year because of lighter or poor-quality carcasses, which brought the mutton total to 145,000 tons from 6.9 million head slaughtered and lamb meat outturn to 342,000 from 25.4 million head, compared with mutton production of 155,200 tons in 1976 and lamb meat output of 357,600 tons. In the current season, mutton production is expected to total 170,000 tons, that of lamb 346,000 tons.

Production of **pork** increased about 33 percent between 1976 and 1977—from 32,800 tons to 43,600 tons—as high grain prices caused farmers to slaughter a number of breeding sows. New Zealand now is a sur-

[1] All years are split years, ending in different months of the year given, and vary according to commodity.

Based on report by Harold T. Sanden, U.S. Agricultural Attaché, Wellington.

plus pork producer and is expected to hold its output increase to less than 1 percent. Some pork producers are considering the possibility of cutting outturn because grain prices, pegged well above those on the world market, tend to hold down profitability.

After climbing to a record 6.4 billion liters in 1977, **milk** output was originally expected to fall to 6.3 billion liters in 1978, the result of poor pasture conditions that followed a wet, cold winter and a dry, windy spring. However, conditions toward the end of 1977 were so bad that the milk production drop was apparent as early as October 1977 and was expected to worsen as farmers began to dry off their cows before the end of February.

Because of drought in the Canterbury region—where most of New Zealand's **wheat** is grown—production fell from 388,200 tons in 1976 to 369,800 tons in 1977. Output is likely to fall further to 340,000 tons in 1978 and New Zealand may again have to import wheat.

Most of New Zealand's **corn** output growth is taking place in dairy cattle areas, and countrywide production has climbed from 183.800 tons in 1976 to 256,000 in 1977, while planted area was at 33,000 hectares in both years.

Corn is no longer grown as a supplemental feed crop, but is sold by producers for cash. However, production costs are creeping up because of petroleum and fertilizer price advances, which could influence future production and sales.

Some disruption in **barley** production is taking place as corn is used as a replacement for poultry and swine feed in New Zealand's North Island. This has forced South Island barley into export outlets at low world prices. Despite a reduction in New Zealand's planted area of 10,000 hectares between 1976 and 1977, barley production rose from 285,500 tons to 316,000 tons during the same period. Output is expected to fall slightly in 1978.

Production of **wool** has shown a general uptrend in the past 3 years, rising from 294,000 tons in 1975 to 312,000 in 1976 and 303,000 in 1977. Larger sheep and lamb numbers at the end of the 1977 production year indicate that wool output should rise in 1978, and the current estimate is for an outturn of 315,000 tons.

Although two hailstorms cut by one-third **apple** output in Nelson Province—one of New Zealand's major producing regions—total apple production in 1977 was the same as in 1976—164,000 tons. However, benefiting from short European crops and record selling prices—exports brought in $11 million to the New Zealand Apple and Pear Marketing Board. Current estimates indicate that 1978 apple production should reach 175,600 tons.

Output of **pears**—mostly grown for the domestic market—and peaches has been moving downward since 1976 and is expected to decline again in 1978.

New Zealand's **kiwi fruit** growers have had the export market pretty much to themselves in the recent past, but are now facing competition from growers in Japan, Europe, and North America. Rising land prices in New Zealand also are causing problems for producers.

Citrus production in New Zealand is minimal, taking care of only a small part of domestic demand. The climate is generally hostile to the production of good-quality citrus, and imports are called on to fill the requirements for table fruit.

Some farmers are losing interest in **poultry meat** production since overproduction in 1976 and 1977 tumbled poultry meat prices to a point where producers were losing money. As a result, there has been a sharp cutback by large producers.

Poultry slaughter amounted to 24 million birds in 1977 (up from 20 million in 1976), while poultry meat production rose from 22,600 tons to 25,000 tons between 1976 and 1977. Both slaughter and production are expected to fall in 1978—to 18 million head and 21,000 tons. □

Vietnam Plan . . .

Continued from page 4

of relations between the two countries. The United States is prepared to remove the trade embargo when diplomatic relations are established and embassies are opened in the respective capitals. However, the SRV has maintained that some sort of aid commitment on the part of the United States should be a part of any agreement. The United States has set no prerequisites for establishing relations.

Subsequent to establishment of relations, the issue of compensation for U.S. investments in Vietnam will have to be settled. One source has estimated investments in the southern provinces at the end of the war at $100 million.

In January 1978, the USDA amended its Commodity Credit Corporation (CCC) Export Credit Sales Program directed against foreign flag vessels calling at ports in Vietnam. Previously, any U.S. agricultural commodity carried on a foreign ship that stopped at a SRV port was ineligible for CCC financing.

This restriction has been lifted to allow foreign flag vessels that have called at ports in Vietnam on or after January 25, 1966, to deliver CCC-financed commodities to their ultimate destinations.

In addition, last December, the USDA announced that exporters—or their affiliates—that trade with Vietnam will no longer have to wait 6 months before applying for Public Law 480, Title I, financing to sell U.S. farm products to other countries on the Title I eligibility list. Vietnam, however, is not eligible for P.L. 480 programs. □

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U.K. Exports Of Grain Up Sharply

The United Kingdom, long a major grain importer, has become an important net exporter of barley and wheat.

The U.K. Ministry of Agriculture forecasts 1977/78 (August-July) grain exports at 1.6 million tons, up substantially from the 455,000 tons forecast earlier.

Of the new total, barley exports are expected to account for 1.35 million tons and wheat for 300,000 tons.

U.K. internal prices for grains have increased without regard to world market prices since Britain joined the European Community (EC). These higher prices have encouraged production, reduced feed utilization, and pushed surplus grain into the world market.

An increased volume of grain is entering the United Kingdom from other EC countries under the protective umbrella of the EC import levy, which is curtailing U.K. markets previously held by non-EC countries.

In the past, when U.K. and/or world grain crops were large, U.K. internal prices declined, feeders had lower costs, and grain usage expanded. Now, with larger U.S. crops, EC intervention rules prevent prices from declining and have the effect of holding down usage.

EC intervention costs are paid by import levies that rise when world prices fall, thereby providing more revenue to subsidize increased exports of surplus domestic soft wheat or barley.

The U.K. threshold price for barley on August 1, 1975, was the equivalent of $92.76 per ton. One year later, it had risen to $115.24 and 2 years later to $143.28. It is scheduled to advance to $161.68 on August 1, 1978.

The U.K. import levy on corn declined from the equivalent of $15.57 on August 1, 1975, to $2.80 1 year later, but shot up to $53.96 on August 1, 1977. On February 6, 1978, it stood at the equivalent of $63.18.

Average U.K. grain production for 1969/70-1971/72 (prior to U.K. membership in the EC) was 13,928,000 tons. Net imports were 8,731,000 tons, exports 138,000 tons, and feed usage was 13,516,000 tons.

For 1975/76-1977/78, however, average production is estimated at 14,706,000 tons, net imports at 7,116,000 tons, exports at 1,046,000 tons, and feed usage at 11,767,000 tons. □

EC Disposal Problem: Barley

The European Community's barley stocks, which totaled 900,000 metric tons at the start of the 1977/78 (June-May) year, are expected to rise to 2.6 million tons by the beginning of the 1978/79 year, despite heroic export sales efforts.

EC barley exports this marketing year to non-EC countries are forecast at 3.5 million tons, including grain equivalent of malt barley of 1.6 million tons.

Two factors aided the strong export of first-half 1977/78:

- Good demand, particularly from Eastern Europe.
- Canada's heavy concentration on wheat exports rather than barley prior to the winter port closings.

Disposal of barley is the main problem facing the EC grain sector.

If the trend continues, EC barley exports could amount to more than 4 million tons annually, including malt equivalent, an amount that would be an important part of total world barley trade and which could pose disposal problems for the EC.

Barley's inability to compete in the EC with corn is more a result of increased utilization of nongrain feedstuffs (such as manioc and corn gluten) than of direct price relationships between corn and barley.

Some EC officials claim that larger imports of manioc are affecting barley more than corn. Manioc is used in combination with larger quantities of soybean meal to replace such grains as barley and wheat, which have a relatively high protein content compared with corn. Much of this replacement has occurred in pigfeed.

The factors precipitating these exports (barley/corn price relationships in the EC and increased imports of nongrain feedstuffs) are allowing higher demand for soybeans and soybean meal and a competitive edge for imported corn over domestic barley and wheat on the EC market.

However, if the EC harvests another large barley crop this year and the disposal problem becomes serious, the fire under corrective measures to redress the barley/corn price relationship and/or halt increasing imports of nongrain feedstuffs could become hotter. Barley exports would likely decline under such measures, but so might imports of soybeans, soybean meal, and corn. □

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Foreign Agriculture

SUPPLEMENT
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EC POULTRY AND EGG POLICIES HAMPER U.S. TRADE WITH EC-9

By Waldo W. Rowan

Dairy, Livestock, and Poultry
Foreign Commodity Analysis
Foreign Agricultural Service

The European Community (EC) was at one time the most important export market for U.S. poultry and poultry products, but sales to this market have declined precipitously since the implementation of the EC levies in 1962.

Between 1962 and 1967, for example, U.S. exports of uncooked, frozen broilers to the EC dropped from 66,448 metric tons to 2,544 tons, and the EC share of U.S. poultry meat exports to all destinations slipped from 67 percent in 1962 to only 9 percent in 1977. Currently, turkey—mostly parts—is the only U.S. poultry item exported to the EC in substantial amounts.

The value of all U.S. agricultural exports to the EC in 1977 was $6.6 billion, constituting 28 percent of the value of all 1977 U.S. farm exports.

The high EC import charges—which at times were 150 percent ad valorem on some poultry items—were, no doubt, the major contributing factor in the decline of nonprepared poultry and poultry product sales to the Community. During 1977, for example, the maximum ad valorem equivalent of West Germany's total import charges on turkey products ranged from 45 percent for breasts to 150 percent for drumsticks.

There being no indication that levies will see any substantial reduction in 1978, the outlook for nonprepared U.S. turkey part exports to the EC remains uncertain, to say the least, and exports of broilers will probably remain at token levels.

The outlook for U.S. prepared poultry product exports, on the other hand, is somewhat more encouraging because of a General Agreement on Tariffs and Trade (GATT) binding on such items at a maximum of 17 percent ad valorem. As long as this binding is maintained, the United States may continue to expand its EC market for prepared poultry products, mostly through sales to hotels, restaurants, and other elements of the institutional trade.

The level of EC levies is published regularly in the Community's official journals, generally in EC units of account (u.a.) per 100 kilograms. However, general information normally is unavailable on the way such levies are determined and how EC units of account are converted into national currencies of Member States and into actual dollar costs in the various EC countries.

Furthermore, the complicated monetary arrangements among the various EC countries, which cause wide variations in levies actually charged by these countries, remain a source of confusion to most U.S. exporters. This article will attempt to clarify these arrangements.

While dealing primarily with poultry levies, much of the information given here also is applicable to other commodities. For example, the mechanism for the conversion of units of account to dollars, and monetary adjustments among the currencies of the various EC countries, are basic to all EC agricultural trade where import levies apply.

The European Community's policy for poultry and eggs is designed to support domestic prices by restricting imports and subsidizing exports. This is carried out within the framework of the EC Common

bags of rice in the Philippines.

Agricultural Policy (CAP) under which imports are restricted by means of two types of import levies—a so-called variable levy and a supplementary levy.

The variable levy is set quarterly on the first of February, May, August, and November; the supplementary levy can be initiated or changed at any time and can amount to the difference between the lowest import-offer price for a particular item and a computed minimum import price, commonly known as the gate price.

(The only exception to this general rule is the 17-percent GATT (General Agreement on Tariffs and Trade) binding on prepared poultry products.)

Additionally, to assist in disposing of surplus domestic production, and to maintain high internal prices, export subsidies may be set at levels that permit such surpluses to move in world trade at competitive prices.

As of February 1, 1978, the EC export subsidy on dressed whole broilers was set at 15 u.a. per 100 kilograms. The U.S. dollar equivalent of this subsidy—with appropriate monetary adjustments—ranged from 14 U.S. cents to 26 U.S. cents per kilogram, depending on the exporting country.

The first step in establishing import levies is to set a calculated minimum import price (**gate price**) for each type of poultry, poultry product, and egg product. The gate price represents the EC's calculation of production costs in representative third countries plus the cost of transporting and handling grain from Rotterdam. Gate prices for poultry parts and egg products are set at a percentage of the gate price of the item from which the product was derived. For example, the gate price for turkey breasts is 165 percent of the gate price for whole turkeys.

Production costs are grouped into two categories: Feedgrain costs, and all other costs. The cost of feedgrains is computed separately because it is a major element of production cost and also is important in determining import levies. The EC does not make available its computations in determining costs or levies.

The **variable levy**, sometimes called the basic levy, is made up of two parts—a feedgrain component plus 7 percent of the gate price. The feedgrain component consists of the difference between the cost of feedgrains required to produce a kilogram of poultry meat or eggs in the EC and that required to do the same in competing third countries.

EC grain prices are supported by import levies, intervention prices, and export subsidies and, consequently, are almost always higher than world prices. The flat 7 percent of the gate price is provided to give EC producers additional protection and is based on the average gate price over a representative period.

When the free-at-frontier offer price of any poultry product from a non-EC country falls below the gate price, a **supplementary levy** may be applied, and by definition the levy is equal to the difference between the lowest offer price and the gate price. The levy applied to the lowest offer price for any poultry item will be charged against all imports of that item from those countries to which the levy is applicable. Consequently, the delivered offer price, plus the supplementary levy, could exceed the gate price for all imports that exceed the lowest offer price.

However, the application of the supplementary levy is discretionary as its imposition can vary with the country of origin. The supplementary levy may be set on any item at different levels—again depending on the originating countries or groups of countries—and on the level of offer prices from each country. Also, those non-EC countries that guarantee their exports will not enter the Community at prices below the gate prices are exempt from the supplementary levy but not from the variable levy.

In essence, the supplementary levy is applied only against those countries and products for which additional protection is considered necessary by the EC, while the variable levy is applied against all poultry and egg imports.

Because countries of the European Community do not have a common currency, the **unit of account** serves as the basis for establishing support prices, gate prices, levies, and export subsidies. Originally the unit of account was the equivalent of US$1—officially defined as the weight of gold corresponding to the pre-1971 gold parity of the U.S. dollar—and conversion to EC member national currencies was relatively simple.

But as currencies have appreciated in some EC countries and depreciated in others, and the value of the U.S. dollar has declined relative to EC currencies in general, the process of converting from units of account to the national currencies of the various EC countries, and from those currencies into dollars, has become extremely complicated. Such terms as green rates, monetary coefficients, monetary compensatory amounts, and accession compensatory amounts have come into existence and can cause wide variations in the dollar value of import levies and export subsidies among the various EC countries.

The so-called **green rate** is the value of 1 u.a. in the currencies of the various EC member countries for agricultural purposes. These rates are fixed annually and may be adjusted periodically, but they do not float in step with the market rate of exchange. As of February 1, 1978, the green rates (value of one unit of account in EC member currencies) were as follows: Germany, DM3.4126; France, F5.9287; Belgium/Luxembourg, BF49.3486; Italy, Lit1,030; Nether-

lands, f.3.4027; United Kingdom, £0.5866; Denmark, DKr8.5666; Ireland, £Ir0.7397.

These rates are used to convert gate prices, target prices, intervention prices, etc. from units of account to national currencies of each country. These rates, however, do not fully reflect the appreciation in value of currencies in Germany and the Benelux countries in relation to the market value of the unit of account, nor the depreciation of currencies in France, Italy, the United Kingdom, and Ireland. Consequently, there are substantial differences between the green rates and the market rates of the national currencies for all EC countries except Denmark. For Denmark, the green rate has been maintained at its market value.

The example of Germany might help to explain this point. Over the years, the appreciation in value of the German currency has not been fully reflected in the green rate. For example, the green rate on February 1, 1978, was 1 u.a.=DM3.41, whereas the purported market value—as expressed by the new European unit of account (e.u.a.)—was 1 u.a.= DM2.58. The e.u.a., sometimes called the basket unit of account, reflects the value of individual national currencies against the average of all community currencies.

German farmers have pointed out that a change in the green rate, when the currency is revalued, would result in an automatic decrease in agricultural support prices. For example, a recent gate price for turkey drumsticks was 100 u.a. per 100 kilograms, which was the equivalent of DM3.41 per kilogram at the green rate, but would have been only DM2.58 at the e.u.a. rate.

In international trade, however, all prices have to be considered in terms of market exchange rates. Since EC-determined agricultural prices in each EC country are at levels determined by green rate conversions, prices are higher in countries with appreciated currencies and lower in countries with depreciated currencies than if market exchange rates were applied.

Consequently, in order for EC countries to trade with each other—and with third countries—without giving undue advantage or disadvantage to any country, monetary adjustments are made.

These adjustments are made by adding **monetary compensatory amounts** (MCA's) to, or substracting them from, import or export prices of each commodity. Basically, MCA's are calculated by multiplying support prices in each member country by a percentage reflecting the difference between the green rate and the market exchange rate.

These percentages, as of February 1, 1978, were as follows: Germany, 7.5; Belgium-Luxembourg and the Netherlands, 1.4; France, 17.0; Italy, 24.0; the United Kingdom; 29.2; and Ireland, 2.1. The actual MCA amount applicable at any time also is published in the official EC journal and is expressed in the national currency of each member country. For countries with appreciated currencies—Germany, Belgium, Luxembourg, and the Netherlands—MCA's are in effect a tax on imports and a subsidy on exports, whereas for countries with depreciated currencies—France, Italy, the United Kingdom, and Ireland—they have the effect of subsidizing imports and taxing exports, which in effect merely reduces the export subsidy. No MCA is applied in Denmark, as there generally is no variation between the green rate and the market exchange rate.

Also, in trade involving import levies or export subsidies, a further adjustment is made. Since market exchange rates are applied to c.i.f. prices and not to levies and subsidies—which are determined in units of account and converted to member-country currencies by use of green rates—a correction factor, which represents the variation between the green rate and the market rate of each currency in question is applied to all levies and subsidies. This factor is known as the monetary coefficient.

For countries with appreciated currencies it is equal to 1 minus the MCA percentage, divided by 100, or $1 - \frac{\text{MCA percentage}}{100}$. For countries with depreciated currency, the formula is 1 plus the MCA percentage, divided by 100, or $1 + \frac{\text{MCA percentage}}{100}$. For example, the monetary coefficient for the United Kingdom (the country with the largest variation between the green rate and the market rate) was 1.292 on February 1, 1978. ($1 + \frac{29.2}{100} = 1.292$.)

When the monetary coefficient for any country is multiplied by that country's green rate, an adjusted green rate is obtained. When this adjusted green rate is used to convert levies or subsidies from units of account to national currencies, the adjustment in levies or subsidies is comparable to the adjustment MCA's make for commodity prices. Green rates, monetary coefficients, and adjusted green rates for the EC countries on February 1, 1978, are shown in an accompanying table.

(In 1973, the United Kingdom, Ireland, and Denmark joined the EC. Because of the lower price levels in these three countries, **accession compensatory amounts** (ACA's) were applied in trade between the new countries and the EC-6.

The ACA's were applied in the new countries as a subsidy on imports from the EC-6 or third countries and a tax on exports to those countries; this tax had the effect of increasing the cost of exports to the EC-6 and reducing the export subsidy on sales to third countries.

bags of rice in the Philippines.

The objective was to permit a gradual adjustment from the lower price levels in the new countries to the higher price levels in the original six during a transition period which ended at the close of 1977. Consequently, the ACA's no longer apply.)

The levy on any item is reported in units of account at the same level in all EC countries. But because of currency fluctuations and consequent adjustments, the levy in equivalent dollar value will vary widely among EC members.

For example, in the case of import levies on turkey drumsticks: on February 1, 1978, the variable levy was 23.89 u.a. per 100 kilograms plus a supplementary levy of 40 u.a. per 100 kilograms, for a total import levy of 63.89 u.a. in all EC countries.

However, largely because MCA's are added to the levies in countries with appreciated currencies and subtracted in countries with depreciated currencies, the dollar value of the levy ranged from a high of $99.37 per 100 kilograms in Germany to a low of $85.40 per 100 kilograms in France. This is illustrated in an accompanying table.

To obtain the import levies in national currencies, as shown in this table, the adjusted green rates in each country were multiplied by 63.89 (the variable plus the supplementary levy). The MCA's, which are published in national currency units, are then added to the levies in countries with appreciated currencies and subtracted in countries with depreciated currencies to get total import charges. (Since the accession compensatory amount was terminated on January 1, 1978, it was not considered in these computations.)

Since most U.S. sales of poultry to the EC consist of turkey and turkey parts, total import charges (which include variable levies, supplementary levies, and MCA's) have been computed for these items as of February 1, 1978, for each of the EC countries and are illustrated by one of the accompanying tables. ☐

European Community: Green Rates, Monetary Coefficients, and Adjusted Green Rates[1], Feb. 1, 1978

County	Green rate	Monetary coefficient	Adjusted green rate
	National currency per unit of account	*Percent*	*National currency per unit of account*
Germany	3.4126	0.925	3.1566
Belgium/Luxembourg	49.3486	.986	48.6577
Netherlands	3.4027	.986	3.3550
Denmark	8.5666	1.000	8.5666
France	5.9287	1.170	6.9365
Italy	1,030.0000	1.240	1,277.0000
United Kingdom	.5866	1.292	.7578
Ireland	.7397	1.021	.7552

[1] In converting gate prices, support prices, and intervention prices from units of account to national currency units, the green rate is used; for converting subsidies and levies from units of account to national currency, the adjusted green rate is used.

European Community: Import Levies and Monetary Compensatory Amounts (MCA's) on Turkey Drumsticks, Converted to Total Import Charges, in EC Member Countries, Feb. 1, 1978

[In values given per 100 kg]

Country	Adjusted green rate in national currencies per unit of account	Levy in national currencies	MCA in national currencies	Total import charges	
				In national currencies	In U.S. dollars[1]
Germany	3.1566	201.68	7.71	209.39	99.37
Belgium/Luxembourg	48.6577	3,109.00	16.50	3,126.00	95.84
Netherlands	3.3550	214.35	1.13	215.48	95.47
Denmark	8.5666	547.32	0	547.32	95.66
France	6.9365	443.17	-25.11	418.06	85.40
Italy	1,277.0000	81,588.00	-6,158.00	75,430.00	86.97
United Kingdom	.7578	48.42	-4.27	44.15	85.81
Ireland	.7552	48.25	- .39	47.86	93.02

[1] Exchange rates as of Feb. 1, 1978 were: US$1=the following--Germany, DM2.107; Belgium/Luxembourg, BF32.610; Netherlands, f.2.259; Denmark, DKr5.721; France, F4.8948; Italy, Lit867.30; and the United Kingdom and Ireland, £0.5145

NOTE: Sum of levies in all countries=63.89 units of account.

European Community: Total Import Charges[1] on U.S. Turkey and Turkey Parts, Feb. 1, 1978

[U.S. dollars per 100 kg]

Country	Whole turkey	Turkey breasts	Turkey drumsticks	Turkey thighs
Germany	43.80	72.29	99.37	67.92
Belgium/Luxembourg	40.15	66.27	95.84	62.26
Netherlands	39.99	66.01	95.47	62.04
Denmark	39.75	65.56	95.66	61.60
France	31.90	52.65	85.40	49.47
Italy	31.20	51.48	86.97	48.30
United Kingdom	29.87	49.29	85.81	46.32
Ireland	38.32	63.23	93.02	59.41

[1] Charges include variable levies, supplementary levies, and monetary compensatory amounts.

bags of rice in the Philippines.

bags of rice in the Philippines.

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